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WH

5 October 1970

SECRETARIAT DISSEMINATION

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1. FOLLOWING MAY BE PASSED TO [REDACTED]
2. FINANCE MINISTER ZALDIVAR DELIVERED PESSIMISTIC REPORT TO NATION 24 SEPT. SAID ECON SIT STABLE UP TO 4 NOVEMBER BUT PROBLEMS SINCE ELECTION HAVE CAUSED EMERGENCY SITUATION.

GOC WILL HAVE TO RESORT TO PRINTING PRESS WHICH COULD THREATEN ENTIRE BASIS OF ECONOMY. CENTRAL BANK'S RESERVE MID-AUG WAS APPROX E800 MILLION AND BY 17 SEPT HAD DROPPED TO 220 MILLION.

3. COMMUNIST PARTY OF CHILE'S EXCEPTIONAL PLANNING AND ORGANIZATIONAL ABILITY PAYING OFF. POPULAR UNITY (UP) FRONT HAS BEEN SUCCESSFULLY MANEUVERING BRING CHILEAN MASS MEDIA UNDER U.P. CONTROL AND ALREADY TRYING EDGE PRESENT OCCUPANTS OUT OF APPOINTIVE GOVT POSITIONS. NUMBER OF REPORTS FROM OTHER COUNTRIES INDICATE PCCH ALREADY PREPARING HELP

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OTHER LATAM COMMUNIST PARTIES SPREAD DOCTRINE ONCE ALLENDE TAKES OVER INCLUDING PERMITTING BRAZILIAN EXILES BEAM PROPAGANDA IN PORTUGUESE TO BRAZIL AND HELPING URUGUAYANS IN NEXT ELECTION.

4. CERTAIN AMOUNT OF FRICTION DEVELOPING BETWEEN PCCH AND PS DUE TO PS FEAR THAT PCCH WITH ITS GOOD ORGANIZATION IS GETTING UPPER HAND AND RELEGATING PS TO SECONDARY POSITION. ALSO THERE IS UNDERLYING IDEOLOGICAL DIFFERENCE BETWEEN TWO PARTIES--PCCH IS ORTHODOX PRO-SOVIET AND PS LEANS TOWARD CUBA AND THE CHICOMS.

5. OUTLOOK FOR KEEPING ALLENDE OUT BY ELECTION OF ALESSANDRI IN CONGRESS 24 OCT BLEAK DUE TO INABILITY FREI ROUND UP SUFFICIENT NUMBER PDC VOTES. PDC JUNTA HELD 3-4 OCT VOTED SUPPORT ALLENDE IF CONSTITUTIONAL GUARANTEES

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FOR BASIC FREEDOMS PROVIDED BEFOREHAND. U.P., HOWEVER, LAST WEEK REJECTED PDC'S CALL FOR GUARANTEES ON PRESERVATION OF POLITICAL PLURALISM, CONTINUED INDEPENDENCE AND SEPARATION OF EXECUTIVE, RESPECT OF PROFESSIONALISM OF ARMED FORCES, ETC. U.P. STATED THERE NO NEED FOR GUARANTEES. WHEN CONGRESS ON 24 OCT DECIDES WHETHER ALLENDE ASSUMES PRESIDENCY, UP PLANS PRESSURE CONGRESS BY MOBILIZING IN SANTIAGO VAST NUMBER OF SUPPORTERS FROM ALL OVER COUNTRY UNDER GUISE OF POPULAR FESTIVAL.

6. ALTHOUGH SOME SENIOR MILITARY LEADERS WOULD LIKE TO DENY ALLENDE THE PRESIDENCY, THE MILITARY IS NOT UNIFIED AND MOST LIKELY WILL ACCEPT AND DEFEND THE CONSTITUTIONAL PROCESS IN CHILE. ONLY ECONOMIC CHAOS OR SERIOUS CIVIL DISORDER IS LIKELY TO ALTER THE MILITARY POSTURE. ALLENDE REPORTEDLY

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INTENDS DILUTE COUP POTENTIAL OF CARABINEROS AFTER HE TAKES
OFFICE BY ADDING 8,000 OF HIS SUPPORTERS TO THE 24,000 MAN FORCE
WHEN HE TAKES OFFICE.

7. NO FILE.

END OF MESSAGE

WILLIAM V. BROE
C/WHD

DAVID A. PHILLIPS
C/WH/TFR

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